

~~TOP SECRET~~

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I.

The present Department of State intelligence organization, of which the Office of Intelligence Research is the main producing element, has in eight years gained wide acceptance and respect in a Department that is, as you know, almost uniquely suspicious of innovation. This has been an uphill fight, but one now apparently pretty well won.

II.

Does it follow that the Department's intelligence organization has a place within the national security system?

On this question the law seems to be that it does. The National Security Act, paragraph d, made CIA the coordinator of the intelligence activities of the departments and agencies of the Government. The National Security Council, in its intelligence directive series, has allocated specific intelligence production responsibilities to State. (NSCID-3 is the basic document.) The IAC mechanism has evolved on the assumption and understanding that State was and would continue to be the preeminent producer in the fields of political, cultural, and sociological intelligence and an important producer of economic intelligence.

This decentralized approach to intelligence has had close scrutiny by two survey groups: the Hoover Commission task force and in the Dulles-Jackson-Correa study of 1950. Both surveys endorsed decentralization as defined and elaborated in the NSCID series.

Does this system still make sense?

If it does, it holds for the military services as well as for State. If it does not, then the whole structure of multi-agency intelligence must be reexamined.

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2.

For the fundamental argument in favor of departmental intelligence is the possibility of a close relationship of intelligence producers to intelligence consumers. It applies in Army, Navy, Air and State.

Given the nature of bureaucracy, there is no way known to me by which an intelligence producing unit can really cross the no-man's land between agencies. If intelligence output is to be geared -- as it must be if it is not to be misdirected -- to the problems of the policy and operating officials, the intelligence practitioners must be able to find out these problems and to observe closely changes in needs, objectives, and plans. This is not easy within an agency. It is not really possible as between agencies.

Now, of course, the NSC and its Planning Board can and does lay down to O/NE requirements for national intelligence. But sound national intelligence must be built upon the capital and capabilities gained by departmental intelligence units responsive to more individualized and specialized requirements, day-to-day, week-to-week. ✓

To almost anyone who served with the Research and Analysis Branch of OSS this point would be immediately accepted. R & A was the first big effort at producing political and economic intelligence. It spent a lot of money and it recruited a large number of top flight people. It turned out some excellent intelligence studies and many of its individual units did splendid support jobs at home and abroad. Overall, however, its very disembodiment -- it was not of the military and not of

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State -- made its administration a nightmare. Those of us who were in it or close to it are those who have ever since propounded the merits -- the indispensability -- of the Departmental location for everything that can be done outside CIA.

III.

Even if the above arguments are granted, is the present State intelligence organization as such worth retaining as a key IAC unit? It has taken a heavy budgetary pounding and there is no great difficulty about finding, at least within CIA, harsh critics of its output.

The budgetary cuts unquestionably have hurt. OIR, nevertheless, has been able to maintain its full area coverage, in less depth than would be desirable but without serious losses among its most skilled and most senior people.

This point is important. OIR is the successor of R & A and has as its core a rather sizeable body of people with the longest intelligence experience (in the political-economic field) that it is possible to have. In its top grades, the average length of intelligence service is above 9 years. It has a number with 11 and 12 and 13 years of intelligence experience, and this is as high as one can go, that is back to 1941-42. Across the board, the average length of service is almost seven years.

In other words, these are career people. They look on intelligence as responsible professionals. The quality of individuals varies, it goes without saying, but the average is high and the best of the OIR

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people are the best that can be found in their fields.

As to OIR output: what O/NE receives from OIR is a responsible, carefully reasoned product. If its conclusions are not invariably right from our viewpoint, they are invariably deserving of consideration. On some matters -- Italy, the Near East, Latin America, Africa come quickly to mind -- OIR has made unique contributions. Its Far Eastern and Soviet work is of a high order. OIR's role in national intelligence has been a major one and it has been handled with very great skill and competence. ✓

There are differences of intelligence opinion between OIR on the one hand and O/RR and O/CI on the other.

The differences with O/CI seem to involve questions of treatment and presentation of material. There is no difference on basic intelligence questions, apparently.

As to O/RR, OIR believes that O/RR's work thus far has brought forth a misleading picture of the Soviet economy. O/RR's conclusions about Soviet economic growth in the postwar period are said to be exaggerated; and OIR argues that some of the relationships between economic magnitudes that are postulated by O/RR could not hold.

On the Soviet "new look" OIR's view has been one of extreme caution. O/RR has taken Soviet claims fairly literally. But OIR here says that earlier O/RR conclusions, which have not been discarded, totally contradict the "new look" findings.

These substantive matters that can be examined and adjudicated. On the bureaucratic side, OIR, to my knowledge, agrees that O/RR's large

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staff can perform important services of common concern to the intelligence community. There is no abstract reason why the two units cannot have a profitable working relationship in the field of Soviet bloc economies. And, in fact, I understand an agreed basis for the relationship has been negotiated, subject to the further assent of the service intelligence units.

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